

## **MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING**

**May 2, 2011 -- 9:30 A. M.**

The Budget and Control Board (Board) met at 9:30 a.m. on Monday, May 2, 2011, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

Governor Nikki R. Haley, Chair;  
Mr. Curtis M. Loftis, Jr., State Treasurer;  
Mr. Richard Eckstrom, Comptroller General; and  
Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee.

Representative Daniel T. Cooper, Chairman, Ways and Means Committee, participated via telephone.

Also attending were Budget and Control Board Executive Director Eleanor Kitzman; Chief of Staff Marcia Adams and Division Directors Les Boles and Ricky Platt; General Counsel Edwin E. Evans; Governor's Deputy Chief of Staff for Policy, Budget, and Cabinet Affairs Ted Pitts; Treasurer's Chief of Staff Bill Leidinger; Comptroller General's Chief of Staff James M. Holly; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Committee Chief of Staff Beverly Smith; Board Secretary Delbert H. Singleton, Jr., and other Budget and Control Board staff.

### ***Adoption of Agenda for Budget and Control Board***

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board adopted the agenda as proposed.

### ***Minutes of Previous Meeting***

Upon motion by Mr. Loftis, seconded by Senator Leatherman, the Board approved the minutes of the March 22, 2011, Budget and Control Board meeting.

### ***Blue Agenda***

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Board approved the blue agenda items, except as otherwise noted herein.

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***State Treasurer: Bond Counsel Selection (Blue Agenda Item #1)***

The Board approved the following notification of the assignment of bond counsel for conduit issues (for ratification of issuer's counsel only):

**CONDUIT ISSUES: (For ratification of Issuer's Counsel only)**

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
\$6,700,000 SC JEDA	Coker College	Haynsworth Sinkler Boyd	Howell Linkous & Nettles
\$45,000,000 SC JEDA	Georgetown Hospital System	Haynsworth Sinkler Boyd	Nexsen Pruet
\$10,000,000 SC JEDA	Abundant Power Solutions, LLC	McGuire Woods	Haynsworth Sinkler Boyd

Information relating to this matter has been retained in these files and is identified as Exhibit 1.

***Division of General Services: Easement (Blue Agenda Item #2)***

The Board approved the following easement in accordance with SC Code of Laws as requested by the Division of General Services:

County Location:	Marion/Horry
From:	Budget and Control Board
To:	South Carolina Electric and Gas Company
Consideration:	\$700
Description/Purpose:	To grant a 0.23 acre easement for the relocation, installation, operation and maintenance of a natural gas pipeline across the Little Pee Dee River adjacent to Highway 378.

Information relating to this matter has been retained in these files and is identified as Exhibit 2.

***Division of General Services: Real Property Transactions (Blue Agenda Item #3)***

The Board approved the following property conveyance as requested by the Division of General Services:

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- (a) **Agency:** **Department of Natural Resources**  
Acreage: 13.71± acres  
Location: South side of Highway 17  
County: Colleton  
Purpose: To sell real property to the Department of Transportation for road improvements associated with the widening of US Highway 17/  
ACE Basin Parkway.  
Price/Transferred To: \$91,857/Department of Transportation  
Disposition of: To be retained by Department of Natural Resources.  
Proceeds:  
Additional Information: The property was appraised as three separate tracts of land and is valued for \$54,690.
- (b) **Agency:** **Budget and Control Board (Department of Employment and Workforce)**  
Acreage: 5.88± acres  
Location: Deming Way and US Highway 78, Summerville  
County: Dorchester  
Purpose: To dispose of surplus real property.  
Price/Transferred To: Not less than appraised value/To be determined  
Disposition of: To be divided between Budget and Control Board and  
Proceeds: Department of Employment and Workforce pursuant to Proviso 80A.35.
- (c) **Agency:** **Budget and Control Board (Department of Disabilities and Special Needs)**  
Acreage: 0.193 acre  
Location: 400 Washington Street, Winnsboro  
County: Fairfield  
Purpose: To dispose of surplus real property.  
Price/Transferred To: \$3,675/Fairfield County Disabilities and Special Needs Board  
Disposition of: To be divided between Budget and Control Board and  
Proceeds: Department of Disabilities and Special Needs pursuant to Proviso 80A.35.

Information relating to this matter has been retained in these files and is identified as Exhibit 3.

***Office of Local Government: Grant Request (Blue Agenda Item #4)***

The Office of Local Government advised the Board of the following grant request:

Grantee:	Jasper County
Grant Request:	\$150,000
Purpose/Description:	The project, known as the Purrysburg Sewer Project, will entail installation of approximately 5200 ft. of 8” gravity sewer and pump station and force main to serve predominately single-family homes consisting of a mixture of stick building and manufactured homes, one business and a community center along Old Charleston Road in order to provide public water services.
Project Impact:	Completion of the project will provide water services as needed.
Cost of Project:	\$952,690
OLG Recommendation:	\$150,000. Community Development Block Grant and local funds will provide the balance.

The Board approved the following grant request as recommended by the Office of Local Government: Jasper County, \$150,000.

Information relating to this matter has been retained in these files and is identified as Exhibit 4.

***Division of Procurement Services: Procurement Audit of Trident Technical College Enterprise Campus Authority (Blue Agenda Item #5)***

The Procurement Services Division, in accord with Section 59-53-1784(B), has reviewed the procurement system of Trident Technical College Enterprise Campus Authority. The audit report was submitted as information only.

The Board, in accord with Section 59-53-1784(B), received as information the audit report of Trident Technical College Enterprise Campus Authority.

Information relating to this matter has been retained in these files and is identified as Exhibit 5.

***Division of Procurement Services: Request for Reauthorization of the Trident Technical College Enterprise Campus Authority's Procurement Policy (Blue Agenda Item #6)***

Trident Technical College Enterprise Campus Authority requests that the Budget and Control Board reauthorize the Trident Technical College Enterprise Campus Authority's Procurement Policy.

The College made this request in accordance with Section 59-53-480(B) of the South Carolina Code of Laws, which exempts the Authority from the South Carolina Consolidated Procurement Code, provided the authority adopts a procurement policy requiring competitive solicitations. As a condition of adoption, the statute requires that the policy be filed with and approved by the State Budget and Control Board. The Board originally approved the procurement policy at its September, 2006 meeting. That approval expires at the end of the second quarter of the fifth calendar year following approval which will be June 30, 2011.

Trident Technical College Enterprise Campus Authority requests that the Budget and Control Board reauthorize the Procurement Policy. The Authority requested no changes to the current policy.

The Board, as requested by Trident Technical College Enterprise Campus Authority, reauthorized the Authority's Procurement Policy

Information relating to this matter has been retained in these files and is identified as Exhibit 6.

***Executive Director: South Carolina Deferred Compensation Commission Chairman Appointment (Blue Agenda Item #7)***

In accordance with the SC Code of Laws 8-23-20, the chairman of the Deferred Compensation Commission is designated by the Budget and Control Board.

Historically, the Director of the Retirement Systems has served as chairman of the Deferred Compensation Commission.

The Board appointed William Blume, the new Director of the Retirement Systems, as chairman of the South Carolina Deferred Compensation Commission.

Information relating to this matter has been retained in these files and is identified as Exhibit 7.

***Executive Director: Revenue Bonds (Blue Agenda Item #8)***

The Board approved the following proposal to issue revenue bonds:

Issuing Authority:	Jobs-Economic Development Authority
Amount of Issue:	Not Exceeding \$6,700,000 Economic Development Revenue Bonds (\$6,585,000 refunding involved)
Allocation Needed:	-0-
Name of Project:	Coker College
Employment Impact:	maintain 180 FT jobs and 300 adjunct workers
Project Description:	refinance 2008 project to renovate, expand, furnish and equip Belk Hall, to convert Coker Hall into a new residence hall, and for miscellaneous improvements to facilities
<i>Note:</i>	<i>private sale</i>
Bond Counsel:	Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P. A.
(Exhibit 8)	

***Patriots Point Development Authority: Extension Request for Repayment of \$9,225,360 Loan (Regular Session Item #1)***

The Patriots Point Development Authority requested the Board to approve an extension and repayment plan on the repayment of a \$9,225,360 intergovernmental loan the Board made to the Authority in June 2009. The purpose of the loan was to make emergency repairs to the destroyer *USS Laffey* (DD724). Repayment of the loan was due on December 1, 2010.

The Joint Bond Review Committee approved the Authority's request for the *Laffey* loan repayment on April 6, 2011, as follows:

- A \$500,000 principal payment upon final approval of the repayment by the Budget and Control Board.
- A two year extension of the loan balance from date of approval by the Board.
- Interest only payment as determined by the State Treasurer's Office during the two year extension.

The Board was asked to approve the Authority's request as approved by the Joint Bond Review Committee.

Ray Chandler, Patriots Point's Chairman, appeared before the Board on this item. Mr. Loftis told Mr. Chandler that he has heard nothing but good things about his effort for transparency and accountability. Governor Haley also acknowledged that she has heard good

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things about Mr. Chandler's efforts. Mr. Chandler stated they have a hardworking board that shares his desire to move forward. He noted that they have some very exciting things coming up at Patriots Point.

Mr. Eckstrom commented that he is at a loss in terms of how the State can continue to afford this museum given the tremendous maintenance needs the ships and the museum are facing. He said those needs are reported to be as high as \$100 million. He said he knows the State's desire was for the federal government to take over some of these needs, but that seems to be a very uncertain proposition at best. He noted that when the loan was extended to the Authority the repayment hopes were built on the federal government's willingness to come in and pay off the loan; however, that did not happen. He said that Mr. Chandler has two years to come up with a solution and he does not believe the property value is present to meet all of the maintenance needs of the Authority. Mr. Eckstrom also told Mr. Chandler that he may have to recruit lots of private donations. Mr. Chandler acknowledged that Mr. Eckstrom's thoughts were prudent and on point. He said his thoughts include opening Patriots Point up to large outside donors. He said a short-term concept is for various associations and the Department of the Navy to see if there are pro bono efforts that can be done to help address their problem. Mr. Chandler said the problem is that the issues have not realistically been addressed. He said that in two years they will have a solution that will encapsulate the Charleston community and the State. Mr. Eckstrom further asked why foundations could not be established to support the ships. Mr. Chandler said that they can be and he is supportive of doing so.

Upon a motion by Senator Mr. Loftis, seconded by Senator Leatherman, the Board approved the Patriots Point Development Authority's extension request and repayment plan for repayment of its \$9,225,360 intergovernmental loan the Board made to the Authority in June 2009.

Information relating to this matter has been retained in these files and is identified as Exhibit 9.

***Office of State Budget: Agency Deficit Update – Department of Health and Human Services  
(Regular Session Item #2)***

On February 8, 2011, the State Budget and Control Board considered the Department of Health and Human Services (DHHS) request to recognize an operating deficit within the Medicaid program estimated at \$227,786,198. At that meeting the Board determined that the operating deficit incurred by the Department was unavoidable and recognized the operating deficit not to exceed \$100,000,000. On March 22nd the Board subsequently increased the deficit recognition amount to a total of \$200,000,000. The Board further directed the Department to continue working with the Office of State Budget to reduce the projected deficit and report back at the next regularly scheduled Board meeting.

In February DHHS began implementing a package of service reductions and eliminations that are projected to reduce expenditures within the Medicaid program by \$2,775,432 during this fiscal year. In addition, the Department is implementing a reduction in Managed Care administrative allowance estimated to save \$1,558,680 during the final quarter of this fiscal year. The Department is awaiting final approval from the Centers for Medicare/Medicaid Services in order to realize additional savings resulting from a 3% provider rate reduction made possible through enactment of Senate Bill 434. Therefore, the balance of the operating deficit is estimated at no more than \$23,452,086.

Les Boles, State Budget Director, and Anthony Keck, DHHS Director, appeared before the Board on this matter.

Senator Leatherman asked that the matter be carried over to the June 2011 meeting to allow Mr. Keck the opportunity to realize savings. He said that Mr. Keck has done an outstanding job and he is impressed with him. Governor Haley commented that she is working with Mr. Keck and CMS to expedite the request.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Board carried over a request to recognize the balance of the Department of Health and Human Services' operating deficit.

Information relating to this matter has been retained in these files and is identified as Exhibit 10.



***Office of State Budget: Permanent Improvement Projects (Regular Session Item #3)***

Ms. Kitzman noted that there are items in this agenda item to recognize overages for previously established and budget increase items. She said that these are projects that have been completed, but the cost has exceeded the amount previously approved. She noted that some of the projects go back for a few years. She said when these projects are referred to as having been favorably reviewed by the JBRC that means the money has been spent and the entities that have overspent have exceeded their budget or have not spent the money appropriately. She said there is a need to recognize the spending or the entities will go back into an inappropriate spending position. Ms. Kitzman noted that there is nothing else the JBRC can do. She stated that she previously provided the Board members with information about the overdraft situation and noted that a lot of them were simply accounting differences, but some of them were actual overspending.

Governor Haley asked the agencies in attendance whether there were any fee or tuition increases associated with items (a) through (q). There was no response from the agencies.

Senator Leatherman commented the overdraft items were approved by the JBRC after a lot of admonishment to the agencies. He noted the JBRC has told agencies that they will not have overruns and that the JBRC has changed its procedures and the projects with overruns were already in the pipeline before their procedures were changed. He said that he does not think that the Board will be seeing those kinds of items again.

Governor Haley indicated that she wanted to discuss items (l) and (m). Mr. Loftis said that he had a question about item (k). With regard to item (k), Mr. Loftis asked whether the Department of Disabilities and Special Needs (DDSN) owned the building. Tom Waring, DDSN's Budget Director, said that the agency owns the building.

John Smalls, SCSU's Vice-President for Finance, appeared before the Board with regard to items (l) and (m). Governor Haley stated that her concern with these two items is that this is a request for a budget increase and the money has already been spent. Mr. Smalls said the first project is the Chestnut Street entry for which they received a \$1.4 million grant from the county. He said near the end of the project inspectors required that they do additional things to achieve certification which was an additional \$70,000. Mr. Smalls said that because of miscommunications among SCSU's staff they did not come back to the JBRC and the Board for

approval before the money was spent. He said this was an oversight on SCSU's part and they have put procedures in place to ensure that this does not happen again. He acknowledged that this happened twice and that it will not happen again. Governor Haley said the State deserves better oversight and Mr. Smalls agreed. Governor Haley said the State cannot afford miscommunication of this sort and a bad precedent is set when this is allowed to happen. Mr. Smalls said he understood what Governor Haley was saying and said they have taken corrective action.

Mr. Eckstrom asked what the nature of the correction was with regard to item (l). Mr. Smalls stated that there were issues with the drainage ditch that ran along the street that needed correction. Mr. Eckstrom asked whether this was a design flaw and indicated the amount to correct the work was 5% of the contract. Governor Haley said that the ditch should not have been constructed in that fashion. Governor Haley said her understanding is that the inspectors asked for a light pole to be removed from the drainage ditch. She noted that this was not a DOT issue, but rather a construction issue. Mr. Eckstrom asked who would have designed the project so that the foundation for a light pole to be placed in a drainage ditch. He commented that does not reflect good architectural standards to which Mr. Smalls said that he did not know the details, but could get that information. Mr. Eckstrom further asked whether SCSU paid an architect to design the project to which Mr. Smalls responded that Orangeburg County contracted for the architect.

Mr. Loftis asked whether the situation was that SCSU had a shortage and needed more money to complete the project and Orangeburg County gave it to them. Mr. Smalls said that is correct. Mr. Loftis further asked whether the other permanent improvement projects that had overdrafts are the same as the ones at SCSU. Governor Haley explained the difference is that for projects (n) through (q) the money has not been spent, whereas the money for projects (l) and (m) has already been spent. She said that SCSU is not asking for more money because the projects have already been completed.

In further discussion Senator Leatherman asked whether there was an engineer employed on the project. Mr. Smalls said an engineer was employed on the project, but he did not recall who that was. He said he could find out who the engineer was. Governor Haley commented that the light pole was put in the drainage ditch and it should not have been put there in the first place

as part of the construction and SCSU had to ask them to remove it. She pointed out that this is not DOT's issue, but SCSU's issue which led to the school paying more money to fix something that should not have been done in the first place. Senator Leatherman further asked whether the light pole was put in after the engineer was engaged to which Mr. Smalls answered yes. Senator Leatherman asked Mr. Smalls if SCSU has gone back to the engineer and asked for payment for this error. Mr. Smalls said he did not know, but could find out that information for Senator Leatherman. Senator Leatherman asked Mr. Smalls who made the decision to put the light pole in the ditch and whether SCSU asked that question. Mr. Smalls replied that this was a design flaw that called for the light pole to be put in the ditch. Senator Leatherman asked whether SCSU went back to the engineer to ask for corrections to be made. Mr. Smalls said he does not think that was done and he can find that out by checking with SCSU's facilities division. He said if the Board carried the item over he could get the information for the Board. Senator Leatherman commented that perhaps the item should be carried over to get someone before the Board who can answer questions about the project. Governor Haley stated that she cannot support items (l) and (m) if a motion is made to approve them, but would support a motion to carry the items over to get more information. She further stated that she could not support approving the items at anytime.

Mr. Eckstrom asked what the resolution would be if the items are carried over. He said given the way the two items were handled the State has nothing to do but shake its head and move on. Mr. Eckstrom said he would move to carry the item over to get answers to the Board members' questions, but he was surprised that SCSU was not able to answer questions about the projects at the meeting given the nature of how they were brought before the Board.

With regard to item (m), Governor Haley said that she would raise the same concerns as she did for item (l) in that the money has already been spent. Mr. Eckstrom said he would again question the oversight effectiveness. He noted that work had begun on the project when the primary subcontractor was found unacceptable and four change orders were required as work proceeded. Mr. Eckstrom noted that construction projects have their profits buried in change orders. He said that there should be some minimal process established or position that the Board should take on instances like this when there appears to be a rush to get a project started. He said he wondered what due diligence was done to vet the contractors.

Senator Leatherman asked whether there was a general contractor on the project. Mr. Smalls said SCSU initially hired a contractor who, as they found out, did not have the proper licensure. He said that when SCSU hired a replacement contractor that caused the cost of the project to increase another \$50,000 more than what was budgeted for the project. Mr. Smalls added that the contractor was a general contractor. Senator Leatherman asked whether the contractor was bonded. Mr. Smalls replied that the general contractor was bonded. Senator Leatherman said that it is up to the general contractor and his bonding company to take care of this matter since it involved performance. He asked Mr. Smalls whether SCSU went back to the general contractor or the bonding company to tell them that they wanted the job finished. Mr. Smalls did not know and suggested that since the Board carried over item (l) that item (m) be carried over to allow SCSU to bring appropriate personnel who can answer the Board's questions. He said there are a lot of technical questions involved and their on campus engineer would be better suited to answer the Board's questions.

Upon a motion by Mr. Cooper, seconded by Senator Leatherman the Board approved the following permanent improvement project establishment requests and budget revisions which have been reviewed favorably by the Joint Bond Review Committee, except as otherwise noted as follows. Upon a motion by Mr. Loftis, seconded by Senator Leatherman, the Board separately approved item (k) of this agenda item. Upon separate motions by Mr. Eckstrom, seconded by Senator Leatherman, the Board carried over items (l) and (m) of this agenda item.

#### **Establish Project for A&E Design**

- (a) Summary 4-2011: JBRC Item 1. Clemson University  
Project: 9893, Clemson Engineering Technology Lab Repair and Refurbishment  
Request: Establish project and budget for \$15,000 (Other, Private funds) to begin design work to refurbish the Clemson Engineering Technology Lab at Clemson's Advanced Materials Research Center in Pendleton. The work will include refurbishing the mechanical systems, replacing both cooling towers, repairing or replacing a chiller and a boiler, replacing the roof, correcting window flashing problems, and upgrading the keying and card access system. The building was constructed in 1991 and the systems are original to the building. The roof leaks and damages building interiors. The mechanical components are corroded and some are non-functional.

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- (b) Summary 4-2011: JBRC Item 2. Clemson University  
Project: 9894, Indoor Football Practice Facility Construction  
Request: Establish project and budget for \$150,000 (Other, Private funds) to begin design work to construct an indoor football practice facility at Clemson. The new facility will be approximately 80,000 square feet, will house a full-sized synthetic turf football field and will include a coaches' tower, training room, video recording platforms, proper lighting and suitable sound systems. The facility will be located adjacent to the football practice fields and the indoor track facility. The football program currently has no adequate indoor location for practice. The new facility will provide space to accomplish meaningful athletic work regardless of the weather. It will benefit the program by significantly improving efficiency in scheduling practices and will have a positive impact in attracting the best student-athletes. The building will also provide refuge for other sports teams, youth camps, and event attendees participating in outdoor activities when dangerous weather alerts are issued.
- (c) Summary 4-2011: JBRC Item 3. Medical University of South Carolina  
Project: 9817, Hollings Cancer Center - Third Floor Mammography Clinic Renovation  
Request: Establish project and budget for \$33,000 (Other, Hospital Revenue funds) to begin design work to renovate approximately 7,200 square feet in the Hollings Cancer Center at MUSC for the Mammography Clinic. The work will include demolishing existing walls and ceilings, reconfiguring space, installing new flooring, and reworking the HVAC and electrical systems for the space. The work is needed to expand and enhance the Mammography Clinic area of the Hollings Cancer Center in support of the new College of Medicine Dean and research in mammography imaging and breast thermography. It will allow the Mammography Department to consolidate on the third floor and the Radiation Oncology Department to consolidate on the first floor of the center.
- (d) Summary 4-2011: JBRC Item 4. State Board for Technical and Comprehensive Education  
Project: 6028, Greenville Tech - Industrial Building D Wing Renovation  
Request: Establish project and budget for \$13,178 (Other, Local County funds) to begin design work to renovate approximately 14,000 square feet in Greenville Tech's Industrial Building D for the Emergency Medical Technology (EMT) program. The work will include reconfiguring the space to include classrooms, labs, simulator rooms, specialty training rooms and offices, creating new ADA accessible restrooms, installing a new HVAC system, and making information technology upgrades. The EMT program located in the space after the Electronics Technology program relocated to the Brashier Campus in 1996. The area has been reconfigured multiple times as the EMT program expanded, resulting in accessibility issues for students, including students entering classrooms through other training areas and disrupting classes. The building was constructed in 1975 and, except for interior partition reconfigurations, has not been renovated since. The space will be reconfigured to better meet the

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needs of this academic program and to improve the flow of students throughout the area.

- (e) Summary 4-2011: JBRC Item 5. Governor's Office - OEPP  
Project: 9522, Dolly Cooper Veterans Cemetery Area J Expansion  
Request: Establish project and budget for \$18,825 (Other, Increased Enforcement Collections funds) to begin design work to expand burial spaces in the M.J. "Dolly" Cooper Veterans Cemetery in Anderson for the Governor's Office Department of Veterans Affairs. The work will include constructing approximately 500 double-depth in-ground burial crypts in Area J of the cemetery, providing up to 1,000 additional burial spaces. In-ground crypts expedite burials and make for more efficient use of available burial space. The 30-acre cemetery was opened in late 2007 and the existing supply of in-ground crypts is expected to be exhausted between February and June 2012.
  
- (f) Summary 4-2011: JBRC Item 6. Budget and Control Board  
Project: 9896, Brown Building Main Air Handler Replacement  
Request: Establish project and budget for \$11,250 (Other, Depreciation Reserve funds) to begin design work to replace the main air handler that serves four floors in the Brown Building. The work will also include replacing the fans, dampers, filters, coils, and housing of the air handler. The existing air handler is 39 years old, original to the building, and beyond its expected life. The air handler and its related components are inefficient, difficult to repair, and replacement parts are not readily available. The new technology will be more energy efficient and will improve the indoor air quality of the building.
  
- (g) Summary 4-2011: JBRC Item 7. Department of Corrections  
Project: 9699, Perry Correctional Institution Multi-Purpose Building Construction  
Request: Establish project and budget for \$8,250 (Other, Donation funds) to begin design work to construct a multi-purpose building at the Perry Correctional Institution in Simpsonville. The approximately 6,000 square foot facility will be a site adaptation of the Department's prototypical multi-purpose building design, which is a prefabricated metal building structure. The facility will house administrative space, restrooms, a workroom and an open area for assemblies. Perry Correctional Institution does not currently have dedicated space in its facilities for chapel, counseling and small group assembly programs.

**Establish Construction Budget**

- (h) Summary 4-2011: JBRC Item 8. The Citadel  
Project: 9605, Daniel Library Building Envelope Renovation  
Request: Increase budget to \$906,748 (add \$883,516 - \$850,216 Other, Student Fees and \$33,300 Other, Gift funds) to address deferred maintenance and repair the building envelope on the Daniel Library at The Citadel. The project was

established in December 2010 for pre-design work which is now complete. The work will include repairing the stucco building finish, applying a waterproof coating, replacing all window units, and making limited roof repairs. The building envelope has deteriorated over the 51-year life of the building and extensive cracking of the stucco finish is visible. The poor condition of the stucco allows moisture into the building, which causes deterioration of the building structure and increases the likelihood of mold, indoor air quality and health issues. The existing windows are not insulated, are not energy efficient, do not close properly, and allow air and moisture into the building. Energy savings and conservation measures will include replacing the non-insulated steel windows with new energy efficient units. The agency reports the total projected cost of this project is \$906,748 and annual operating cost savings of \$13,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is June 2011 and for completion of construction is October 2011. The source of funds includes student fees, which are available as a result of the federal ARRA state stabilization funds available for education and government services and will not result in a student fee increase. (See Attachment 1 for this agenda item for annual operating cost savings.)

- (i) Summary 4-2011: JBRC Item 9. College of Charleston  
Project: 9645, Grice Marine Lab Complex Structural and Envelope Repairs  
Request: Increase budget to \$1,600,000 (add \$1,577,500 Other, College Fee funds) to make structural, building envelope and other repairs to the College of Charleston's Grice Marine Lab Complex at Fort Johnson. The project was established in December 2010 for pre-design work which is now complete. The work will include repairing the foundation columns, piers, beams, and girders, repairing exterior finishes and stucco, and replacing plumbing lines and electrical conduit. The work is needed to correct cracking and separation of surfaces, to replace lines that have rusted because of moisture intrusion through the cracks, and to prevent further rusting due to the harsh salt air environment. Most of the plumbing and conduit are original to the 1933 building. Energy savings and conservation measures will include restoring the building envelope, replacing failed window glazing gaskets, and installing new caulking to reduce energy loss. The agency reports the total projected cost of this project is \$1.6 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is December 2011 and for completion of construction is June 2012. The source of funds is college fees, which are available as a result of the federal ARRA state stabilization funds available for education and government services and will not result in a student fee increase.
  
- (j) Summary 4-2011: JBRC Item 10. Medical University of South Carolina  
Project: 9814, Institute of Psychiatry 30 Bathrooms Renovation  
Request: Increase budget to \$750,000 (add \$738,750 Other, Hospital Revenue funds) to

renovate 30 inpatient bathrooms in the Institute of Psychiatry Hospital at MUSC. The project was established in December 2010 for pre-design work which is now complete. The work will include installing new bathroom fixtures, upgrading the HVAC exhaust system, applying epoxy flooring, and making cosmetic repairs and improvements. The work is needed to decrease the chances of patient self harm and will also provide for better balancing the HVAC system. Energy savings and conservation measures will include the installation of energy efficient and low-flow bathroom fixtures. The agency reports the total projected cost of this project is \$750,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is September 2011 and for completion of construction is June 2012.

- (k) Summary 4-2011: JBRC Item 12. Department of Disabilities and Special Needs  
Project: 9842, Whitten Center Electrical Power Grid Upgrade  
Request: Increase budget to \$1,000,000 (add \$992,500 Excess Debt Service funds) to upgrade the electrical power grid at DDSN's Whitten Center in Clinton. The project was established in September 2010 for pre-design work which is now complete. The work will include replacing the electrical power poles, transformers, conductor units and underground units and converting the system from a low voltage system to a higher voltage system, consistent with the City of Clinton's utility infrastructure. The existing electrical power system is 50 years old, antiquated and inefficient. The majority of the poles are in deteriorated condition and pole mounted transformers and platforms are dangerous. Failure to replace the damaged poles, power lines and transformers will result in more frequent power outages on campus during high wind and storm events and possible power grid failure. Energy savings and conservation measures will include the installation of energy efficient transformers and power lines. The agency reports the total projected cost of this project is \$1 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is June 2011 and for completion of construction is June 2012.

#### **Increase Budget**

- (l) Summary 4-2011: JBRC Item 13. South Carolina State University [**carried over**]  
Project: 9626, Chestnut Street Entry Construction  
Request: Increase budget to \$1,470,414 (add \$70,414 - \$60,000 Other, SCDOT and \$10,414 Other, Tuition and Fee funds) to cover an expenditure overdraft and close SC State's project for construction of a new Chestnut Street entry to the campus. The project and construction budget were established in January 2006 to construct the new campus entry, a round-about, a bridge over a drainage canal and a new security house with funds from the SC Department of Transportation (DOT). As the project neared completion, DOT directed that two change orders be made for realigning the existing ditch and reengineering



traffic pole foundations. In February 2008, DOT allocated the funds for the change orders. However, the expenditure of the additional funds resulted in the final project cost exceeding the originally approved budget. The source of funds for the increase includes tuition and fees spent in 2008, which did not result in a student fee increase. Ratification of the budget increase is needed to cover all project expenditures and to close the project on the state's project accounting system.

- (m) Summary 4-2011: JBRC Item 14. South Carolina State University [**carried over**]  
Project: 9631, Dawson Stadium - New Playing Field Turf Installation  
Request: Increase budget to \$641,912 (add \$63,912 Other, Tuition and Fee funds) to cover an expenditure overdraft and close SC State's project for installing new playing field turf at Dawson Stadium. The project and construction budget were established in August 2006 to replace the existing natural grass playing field with a synthetic grass playing field over a drainage mat. Because the project was originally expected to be under the \$500,000 permanent improvement project level, work on the field had already begun when a primary subcontractor was found to be unacceptable. Finding a replacement subcontractor resulted in the estimated project cost going above the \$500,000 level, requiring approval of establishment of the project. Because the turf installation had to be completed by the start of the home football season in mid-September 2006, the project was quickly approved with cost information available at that time. However, as construction proceeded, four unforeseen change orders were required that resulted in the final cost exceeding the originally approved budget. The source of funds for the increase was tuition and fees spent in 2006, which did not result in a student fee increase. Ratification of the budget increase is needed to cover all project expenditures and to close the project on the state's project accounting system.
- (n) Summary 4-2011: JBRC Item 15. State Board for Technical and Comprehensive Education  
Project: 6000, Northeastern Tech - Dillon Campus Construction  
Request: Increase budget to \$1,236,809 (add \$110,389 - \$64,741 Appropriated State and \$45,648 Federal funds) to add a lab classroom to the scope of construction of a new Dillon Campus building for Northeastern Tech. The construction budget was established in December 2009 to construct a new, approximately 4,700 square foot building on the campus to house instructional classrooms and offices. When bids for the new building came in, they were lower than anticipated and the building, currently under construction, will now be expanded to include an approximately 1,300 square foot lab classroom for teaching lab sciences such as biology and microbiology. With the addition of the lab, students will be able to take lab sciences at this campus and complete an Associate in Science Degree in Dillon County, which has not been possible until now because the campus has no lab facility. The lab will also allow more students to pursue a pathway into the Northeastern Tech nursing program. The

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agency reports the total projected cost of this project is \$1,236,809 and additional annual operating costs of \$44,543 will result in the three years following project completion. The facility is expected to be completed this summer for use in Fall 2011. (See Attachment 2 for this agenda item for additional annual operating costs.)

- (o) Summary 4-2011: JBRC Item 16. Department of Corrections  
Project: 9695, Broad River Correctional Institution Outdoor Lighting Upgrades  
Request: Increase budget to \$394,000 (add \$145,770 Federal funds) to meet the current estimated cost for outdoor lighting upgrades at the Broad River Correctional Institution. The construction budget was established in November 2010 based on the utilization of in-house inmate labor to do most of the work. The work will include replacing 187 lighting fixtures with 72 lower wattage fixtures and installing 8 new retractable poles. Due to time constraints from other construction and maintenance projects and in order to meet the deadline for expenditure of energy stimulus grant funds, the department will competitively bid the work for contract, which increased the original projected construction estimate. In addition, the original cost estimate did not include the cost to furnish and install new concrete bases for the poles. The lighting upgrades will minimize existing shadowed areas on the compound and significantly reduce energy costs. Energy savings and conservation measures will include the installation of energy efficient lighting. The agency reports the total projected cost of this project is \$394,000 and annual operating cost savings of \$27,400 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is July 2011 and for completion of construction is December 2011. (See Attachment 3 for this agenda item for annual operating cost savings.)
  
- (p) Summary 4-2011: JBRC Item 17. Department of Corrections  
Project: 9696, Kirkland Correctional Institution Outdoor Lighting Upgrades  
Request: Increase budget to \$358,000 (add \$74,540 Federal funds) to meet the current estimated cost for outdoor lighting upgrades at the Kirkland Correctional Institution. The construction budget was established in December 2010 based on the utilization of in-house inmate labor to do most of the work. The work will include replacing 96 lighting fixtures with 54 lower wattage fixtures and installing 7 new retractable poles. Due to time constraints from other construction and maintenance projects and in order to meet the deadline for expenditure of energy stimulus grant funds, the department will competitively bid the work for contract, which increased the original projected construction estimate. In addition, the original cost estimate did not include the cost to furnish and install new concrete bases for the poles. The lighting upgrades will minimize existing shadowed areas on the compound and significantly reduce energy costs. Energy savings and conservation measures will include the installation of energy efficient lighting. The agency reports the total projected cost of this project is \$358,000 and annual operating cost savings of \$15,250

will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is July 2011 and for completion of construction is December 2011. (See Attachment 4 for this agenda item for annual operating cost savings.)

**Establish Project for Preliminary Land Studies**

- (q) Summary 4-2011: JBRC Item 18. Department of Natural Resources  
Project: 9922, Laurens - Reedy River/Boyd's Mill Pond Land Acquisition  
Request: Establish project and budget for \$20,000 (Other, Reedy River Mitigation Trust funds) to procure the investigative studies required to adequately evaluate property prior to purchase. The Department of Natural Resources is considering the purchase of approximately 500 acres of land on the Reedy River near Boyd's Mill Pond in Laurens County. The acquisition will protect water quality, conserve wildlife habitat and provide recreational opportunities. The acquisition will also work toward fulfilling the goals of the Reedy River Final Restoration Plan for mitigation from the Colonial Pipeline oil spill in 1996. The agency will manage the property as part of the Wildlife Management Area Program with the intent of protecting the riparian corridor and increasing recreational access to the Reedy River as required by the Final Restoration Plan.

Information relating to this matter has been retained in these files and is identified as Exhibit 11.

***Division of General Services: College of Charleston Lease Amendment for Warren Place Apartments in Charleston (Regular Session Item #4)***

The Joint Bond Review Committee approved on April 20, 2004 and the Budget and Control Board approved on May 4, 2004 a lease between the College of Charleston and Warren Place, a Joint Venture, which is owned by GWB Associates, L.L.C., a South Carolina Limited Liability Company, and Brumley Properties Limited Partnership, a South Carolina Limited Partnership, for space at Warren Place in Charleston for student housing. The leased space is two blocks from the main campus and consists of approximately 108,048 square feet in three buildings located at 1, 10 and 20 Warren Street as well as 121 parking spaces in the surface lot contiguous to the buildings. The College leases 24,107 SF on a portion of the 1<sup>st</sup> floor and the entire 2<sup>nd</sup> and 3<sup>rd</sup> floors of the three-story, 27,491 SF building located at 1 Warren Street. The College leases 47,941 square feet on a portion of the 1<sup>st</sup> floor and the entire 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> floors of the five-story, 52,448 square foot building located at 10 Warren Street. The College

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also leases the entire four-story, 36,000 square foot building located at 20 Warren Street. The leased space provides 289 beds in 85 housing units to accommodate 287 students. A two bedroom apartment is reserved for a resident hall advisor.

The College currently leases the described space at Warren Place under a nine-year lease expiring August 14, 2013 at an annual cost of \$1,000,000 with annual adjustments made after the second year of the lease based on changes in the Residential Consumer Price Index (CPI). The total annual rent for the current period beginning August 15, 2010 and ending August 14, 2011 is \$1,161,330. In addition to rent, the College is responsible for all maintenance and operating costs, totaling approximately \$860,500 annually, and includes the cost of employees, maintenance and repairs, taxes, insurance and utilities. Including maintenance and operating costs, the average annual cost per bed is \$6,995.95. Assuming rent remains at its current rate and maintenance and operating costs remain constant, the total annual cost of the lease is \$2,021,830 (\$18.71 per square foot).

In order to secure the long-term continued use of the leased space for student housing, the College requested approval to amend the lease to extend the term ten years, which would change the termination date of the lease to August 14, 2023. In addition, rent will continue to adjust annually based on CPI fluctuations, if any; however, the lease amendment will limit rent increases by placing a 3% cap on annual increases of rent and a 3% floor on annual decreases over the immediately preceding rental year. No other terms of the lease will be modified.

Assuming the cost of utilities per apartment are the same as at Warren Place, comparables of similar housing with parking leased in Downtown Charleston within five blocks of campus are as follows:

Location	Annual Cost per Individual Bed
145-B Coming Street	\$10,928.52
117-A Wentworth Street	\$11,924.52
65-J Vanderhorst Street	\$11,924.52
235-A St. Philip Street	\$14,780.52

The College has adequate funds for the lease according to a Budget Approval Form submitted January 12, 2011, which also includes a multi-year plan. Lease payments will be made from revenue received from student housing fees collected for Warren Place, which is

\$8,944 per bed annually. Assuming the leased space is one hundred percent (100%) occupied with two beds reserved for staff and that rent has no CPI fluctuations, the College will realize a positive cash flow of \$545,098 annually. The College has the right of first negotiation for the purchase of the properties in the event of a sale. No environmental assessment has been performed on the subject properties.

The lease was approved by Stephen C. Osborne, Executive Vice President for Business Affairs on behalf of the College of Charleston and by Frank W. Brumley, Managing Partner of Warren Place, a Joint Venture. The lease was approved by the Commission on Higher Education on March 3, 2011 and by the Joint Bond Review Committee on April 6, 2011.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Board approved the proposed amendment to extend the lease term ten years for the College of Charleston at 1, 10, and 20 Warren Street in Charleston.

Information relating to this matter has been retained in these files and is identified as Exhibit 12.

***Division of General Services: Horry-Georgetown Technical College Commission Lease to Horry County School District (Regular Session Item #5)***

Horry-Georgetown Technical College (HGTC), requested approval to lease to Horry County School District approximately two acres of land on its Conway Campus at 2050 Highway 501 East in Conway for the construction and operation of a new 38,000 square foot building to house the School District's early college high school program. The early college high school program is an academic partnership between HGTC and the School District that currently consists of 400 students who, at the conclusion of four years, receive a high school diploma and up to a two-year associate degree from HGTC.

Currently, HGTC provides approximately 30,000 square feet of space in two of the college's buildings to the School District for the operation of the early college high school program and pays for all maintenance and operating costs associated with the program's use of the facilities.

The new facility, estimated to cost \$12,557,835, will be funded entirely by the School District. HGTC will be responsible for grading and leveling the land and installing erosion control sediments prior to construction, obtaining and maintaining all necessary utility easements,

constructing a car loop, and constructing vehicular and pedestrian ingress to and egress from the facility. The estimated cost of these improvements is estimated to cost \$196,000. In addition, HGTC will be responsible for providing exterior security, landscaping and grounds maintenance at the facility once constructed, which services are not expected to cost HGTC any additional money. The School District will be solely responsible for all costs associated with operating and maintaining the facility once constructed.

The School District requested a 50 year lease term with one optional renewal term of 25 years to justify the expense of the improvements and in accordance with the typical life expectancy of similar public buildings. Rent will be \$1.00 per year for the initial term and renewal term. The School District may terminate the lease at any time after five years. In accordance with the terms of the lease, HGTC will purchase the facility at the expiration or early termination of the lease for the appraised depreciated value of the building at the time of purchase, subject to the approval of the Joint Bond Review Committee, the Budget and Control Board and/or any other necessary approvals. HGTC will benefit from the School District's construction and operation of the new high school by reclaiming the space it has been providing for the program at an annual cost to HGTC of approximately \$299,000 for maintenance and operating expenses. In addition, HGTC will continue to receive tuition revenue of approximately \$480,000 annually for the 400 students in the program.

Lisa Catalanotto with the Division of General Services appeared before the Board on this item. Ms. Catalanotto advised the Board that moving the early college high school program out of the two buildings in which they currently operate will generate cost savings that are currently being spent by HGTC. She noted that one oddity of this item is the length of the term of the lease which is 50 years with an optional renewal lease of 25 years. She said the reason for this is due to the life expectancy of the building. Ms. Catalanotto said another oddity is that if the school district elects to terminate the lease after the fifth year of the lease or at the expiration of the lease, HGTC will be required to purchase the facility for the then depreciated value of the building. She noted that would not include the value of the land. She noted that HGTC says that a benefit to them is the fees they receive from the students enrolled in the program. Ms. Kitzman said the purchase would be subject to Board approval. Ms. Catalanotto noted the purchase would be subject to both Board and JBRC approval.

Senator Leatherman asked what would happen if HGTC does not get approval for the purchase at the end of lease. Ms. Catalanotto said that the school district and the college would have to negotiate new terms and conditions and bring them back for approval to JBRC and the Board. Senator Leatherman asked what would happen if approval is never given. Harold Hawley, Vice-President for Finance for HGTC, said that realistically the school district could sell the building to an outside entity if HGTC does not get approval to purchase the building. He said the contract is worded such that the school district will have to sell the building to an entity that is desirable to the college. He said the school district could not sell the building to a private institution that would compete with the college or to someone with a significantly higher tuition.

Mr. Eckstrom asked what the school district gets out of the two acres upfront. Mr. Hawley said that school district wanted some economic interest in the property before investing \$9 to \$10 million in the property. He said the school board was not willing to make the investment without some legal and economic right to the land. In response to further questions by Mr. Eckstrom as to the benefit of the lease for the college, Mr. Hawley said that the college gets longevity and continuity of the program and relief from the current operational costs of the program. He said the school will now be in its own building and there is tuition revenue that comes with the students. He noted that the program is highly successful and is considered best in its class across the State. Mr. Hawley said the students who are in this program have an historical graduation rate of 50%. He elaborated that these students have a graduation rate of 92% and he noted that 85% of the graduates continue to four-year institutions to finish their degree. He said in many instances the students are receiving scholarships to pursue their degrees at no cost to the students.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Board approved the proposed 50 year lease and optional renewal term of 25 years from Horry-Georgetown Technical College Commission to Horry County School District at 2050 Highway 501 East in Conway.

Information relating to this matter has been retained in these files and is identified as Exhibit 13.

***ARRA Advisory Committee: ARRA Volume Cap Recommendation (Regular Session Item #6)***

The American Recovery and Reinvestment Act (ARRA) of 2009 provided or expanded authority for certain types of entities to borrow funds with favorable tax treatment in two areas: recovery zone bonds (economic development and facilities bonds) or qualified energy conservation bonds.

Act 290 of 2010 created the South Carolina Volume Cap Allocation Act (the Act) which designated the Budget and Control Board as the entity responsible for managing the reallocation of certain unused ARRA Bond volume cap allocations. As defined in the Act, ARRA Bonds include Qualified Energy Conservation Bonds as described in ARRA. The Act delegated to the Board the authority to allocate or reallocate the volume cap authorized for South Carolina in ARRA. As prescribed by this law, on June 30, 2010, the Board created an Advisory Committee to make recommendations for allocation or reallocation of volume cap. The Committee consists of the Executive Director of the Budget and Control Board or her designee, the Secretary of Commerce or his designee, the Executive Director of the Association of Counties or his designee, the Executive Director of the South Carolina Jobs-Economic Development Authority or his designee, the Director of the Office of Local Government of the Budget and Control Board, and the Director of the Energy Office of the Budget and Control Board or her designee.

At its meeting on April 7, 2011, the Advisory Committee met to consider a Qualified Energy Conservation Bond request for allocation or reallocation. The Advisory Committee made the following recommendation for reallocation:

<b>APPLICANT</b>	<b>RECOMMENDATION</b>	<b>PROJECT DESCRIPTION</b>
South Carolina Jobs-Economic Development Authority (on behalf of Abundant Power Solutions, LLC)	\$10,000,000—QECB	Implementation of a green community program in Charleston

Mr. Eckstrom asked whether these were ARRA funds that can be drawn down by the State. Governor Haley said that they are based on bonds. Governor Haley noted that she has never been supportive of ARRA or its implementation. She also stated that she has a problem with this item because the company involved is a Charlotte, North Carolina based company. She



said the federal government would subsidize the tax burden with the interest from the bonds.

Mr. Eckstrom asked whether Abundant Power Solutions, LLC, would be making the loans for the funds that will be used.

Appearing before the Board on behalf of the company were Brent Jeffcoat, bond counsel, and Larry Ostema, a managing partner for Abundant Power Solutions, LLC. Senator Leatherman asked Mr. Ostema whether the company was located in Charlotte to which Mr. Ostema responded that it was. Senator Leatherman asked what the money would be used for. Mr. Ostema said the money would be used for energy efficiency improvements in Charleston for small businesses and residential properties. Senator Leatherman inquired whether the company would physically locate an office in Charleston. Mr. Ostema said that the company already has a small office located in Charleston with the Sustainability Institute located on Calhoun Street. He also said they will expand that office to service this program. Senator Leatherman further asked whether the money would flow to companies in the Charleston area and employ South Carolinians. Mr. Ostema said that it would. Senator Leatherman informed Governor Haley that the company's home office and location does not bother him if it is going to provide jobs for South Carolinians.

Mr. Eckstrom said that he has a problem with the use of ARRA funds to increase the federal deficit any more than it already has been. He commented that if this is a good idea then why is it restricted to just one city in the State. Mr. Jeffcoat said that this is not restricted to just one city in the State. He said Greenville has already done one of these projects with a direct ARRA allocation. He said this project is in Charleston, but that the allocations are available for anyone in the State. He noted that the City of Charleston initiated this project through a request for proposals for people to come in and help them with energy conservation projects. Mr. Jeffcoat reiterated that the program is not limited to Charleston.

Upon a motion by Senator Leatherman, seconded by Mr. Cooper, the Board approved the ARRA Advisory Committee's recommendation for reallocation for South Carolina Jobs-Economic Development Authority (on behalf of Abundant Power Solutions, LLC/Charleston Clean Energy Bond Finance Corp.) in the amount of \$10,000,000. Senator Leatherman, Mr. Cooper, and Mr. Loftis voted for the motion. Governor Haley and Mr. Eckstrom voted against the motion.

Information relating to this matter has been retained in these files and is identified as Exhibit 14.

***Comptroller General: System Valuations as of July 1, 2010 (Regular Session Item 7A)***

The laws governing the operation of the South Carolina Retirement Systems provide that actuarial valuations of the assets and liabilities of the System shall be made annually (Sections 9-1-260, 9-8-30, 9-9-30, 9-10-20, 9-11-30).

Each year a valuation is conducted on the five defined benefit plans administered by the Retirement Division. These valuations, in the opinion of the consulting actuary, correctly present the condition of the South Carolina Retirement Systems as to those benefits that are funded on an actuarial reserve basis.

Mr. Eckstrom noted that this is a very important issue and is one of the greatest financial challenges facing the State. He said there are a couple of hundred thousand beneficiaries of the plan that are looking for the plan to be solvent long-term. He said that by many measures of solvency and strength, the security of those contributions is becoming more and more imperiled as the years go on. He noted that the actuaries have given a valuation that shows the unfunded liability grew by a very large amount since last year's valuation to \$13.4 billion and that the funded ratio has now declined to 65.5%. Mr. Eckstrom further commented that the funded ratio was at 68% last year when the Pew Foundation rated the State's plan as one of the weakest state plans nationwide in terms of funding. He said that adequate funding is a pretty good surrogate for security and that if there is a very large deficit in the plan that is a bad signal for the long-term security of contributions. He said that the Board members as trustees of the Retirement System must do what it can to address the long-term needs of the Retirement System.

After further discussion concerning employer and employee contribution rates over the last 20 years, Mr. Eckstrom noted that the actuaries are recommending that an additional employer contribution rate increase and spread it out over a couple of years. Mr. Eckstrom stated that he has serious objections to that recommendation. He said the Board should move toward parity between employer and employee contribution rates. He said that means the Board should not be looking just to employers year after year to make up the deficits that are growing in the plan. He said the Board cannot deal with employee contribution rates. Mr. Eckstrom said

his recommendation and motion would be for the Board to accept the annual valuations as information, for the Board to reconfirm its strong commitment to its policy that the amortization periods for the Systems' actuarial unfunded accrued liability be constant or declining and not exceed 30 years, and for the Board to recommend to the General Assembly that prior to July 1, 2012, it increase the contributions to the State Retirement System and Police Officers Retirement System to maintain the 30-year amortization period through a structure that moves toward the goal of having employees and employers share more equally in contributions. He noted the actuaries have said that there does not have to be a contribution rate increase in the coming budget year beginning July 1, 2011, to June 30, 2012.

Senator Leatherman said he hopes that the Board knows that a committee has been formed to look at the Retirement System and that he has instructed the committee to take its time to fix the situation. He stated that with 15 or 16 legislative days left in the session the problem cannot be fixed in that short period of time. Senator Leatherman asked Ms. Kitzman whether there is an RFP process currently in progress for a second actuary to which Ms. Kitzman responded that is correct. Governor Haley also noted that in addition to the RFP for a new actuary there is a new director for the Retirement System. Senator Leatherman said that the new actuary should be chosen, the committee should continue to work, and they should collectively come up with what the General Assembly should do to solve this problem once and for all. He said for that reason he is fine with sections one and two of Mr. Eckstrom's motion, but with regard to section three he does not think the Board can tell the General Assembly what to do even though Mr. Eckstrom's motion says recommendation. Senator Leatherman asked that the question be divided and for the Board to vote on sections one and two of Mr. Eckstrom's motion and then vote separately on section three of the motion.

Mr. Eckstrom commented that he does not think the motion would tie the legislative committee's hands in any way. He said the solution the committee is developing is a solution that should consider both benefit structure and better splitting of contribution rates between employers and employees. He noted the Board now has information from the actuary that unless contributions are increased in FY 2012/13, the amortization period for the unfunded liability will extend to 37.5 years. Mr. Eckstrom said he is uneasy letting that happen. He said the General Assembly should consider dealing with the contribution increase because otherwise it would

reflect adversely on the State's management this year of the pension liability. Senator Leatherman noted there is an RFP in progress for a second actuary and what he is looking for is a second actuarial opinion. He said he is not advocating going beyond 30 years and will never do so. He said he wants to make sure that what this State has promised its retirees, the State will be able to do. Mr. Eckstrom further responded that it is not likely that another actuary will come to a different conclusion with regard to the State's unfunded liability. He said the value the State will receive from a new actuarial firm is the assurance of total independence of thought at a point in time when the State is considering all options for plan structure. He said the new actuary will provide information that is independent in thought, but the independence of the new actuary will not go to the heart of what the State's unfunded liability is. Mr. Eckstrom reiterated that not doing anything with contribution rates will extend the amortization period for the State's unfunded liability as of July 1, 2010, beyond 30 years. He said that he is recommending the General Assembly deal with this issue because only the General Assembly can deal with employer and employee rates. Governor Haley asked Mr. Eckstrom whether what he was asking would go into effect in July 2012 to which Mr. Eckstrom said that it would.

In further discussion, Senator Leatherman asked Mr. Eckstrom whether the State is wasting money getting a second actuarial opinion if the results will not change much. Mr. Eckstrom stated that the value of the second actuarial report is that the new actuaries will bring new ideas for the State to consider in the management of the growth of its unfunded liability. Governor Haley commented that what the second actuarial report will show is that the 4% payroll growth and the 8% rate of return are not adequate numbers to use and the report will show bigger differences.

Upon a motion by Senator Leatherman to divide the question posed by Mr. Eckstrom, seconded by Mr. Cooper, the Board agreed to divide Mr. Eckstrom's earlier motion. Senator Leatherman, Mr. Cooper, Mr. Loftis, and Mr. Eckstrom voted for the motion to divide the question. Governor Haley voted against the motion.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board accepted as information the annual actuarial valuations as information and reconfirmed its strong commitment to its policy that the amortization periods for the Systems' actuarial unfunded accrued liability be constant or declining and not exceed 30 years.

In discussion on the second part of Mr. Eckstrom's motion, the Board considered recommending to the General Assembly that prior to July 1, 2012, the General Assembly increase the contributions to the State Retirement System and Police Officers Retirement System to maintain the 30-year amortization period through a structure that moves toward the goal of having employees and employers share more equally in contributions. Mr. Eckstrom stated that motion gives the State several months to deal with this issue and that the General Assembly does not have to deal with it in the remaining days of the current legislative session and can deal with it during the next legislative session. He said that if Senator Leatherman is committed to doing that he is comfortable moving forward on that basis. The motion failed for lack of a second.

Information relating to this matter has been retained in these files and is identified as Exhibit 15.

#### ***Future Meeting***

The Board agreed to meet at 10:00 a.m. on Monday, June 14, 2011, in Room 252 in the Edgar A. Brown Building.

#### ***Adjournment***

The meeting adjourned at 11:00 a.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Board Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 10:30 a.m. on Friday, April 29, 2011.]